

LOWELL CHARTER TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2008

LOWELL CHARTER TOWNSHIP
Table of Contents

For the year ended March 31, 2008

Financial Section

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements</i>	10
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: General Fund.....	18
Proprietary Funds:	
Statement of Net Assets.....	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	22
Notes to Basic Financial Statements	23

LOWELL CHARTER TOWNSHIP
Table of Contents

For the year ended March 31, 2008

Supplementary Information

Combining and Individual Fund Statements and Schedules:

General Fund	37
Comparative Balance Sheet	38
Comparative Schedule of Revenues	39
Comparative Schedule of Expenditures	40
Permanent Fund	42
Cemetery Perpetual Care Fund:	
Comparative Balance Sheet.....	43
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	44
Agency Funds	45
Combining Schedule of Changes in Assets and Liabilities	46

Other Information:

Summary of 2007 Taxes Levied and Collected.....	48
---	----

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

July 18, 2008

The Township Board
Lowell Charter Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lowell Charter Township (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lowell Charter Township as of March 31, 2008, and the respective changes in financial position and cash flows of its proprietary fund types and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lowell Charter Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

As management of the Lowell Charter Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

- The Township's net assets increased by \$246,264 (or 4 percent).
- Total expenses of the Township's programs were \$1,020,479.
- Total revenues, including all program and general revenues, were \$1,266,743.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$1,081,989, an increase of \$42,220 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$981,084, or 167 percent of total General Fund expenditures.
- The Township's Enterprise Funds had \$3,611,243 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and public works. The business-type activities of the Township are the Water and Sewer Enterprise Funds.

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 14-18 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township maintains the Water and Sewer Enterprise Funds to account for its water supply system and sanitary sewer usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24-35 of this report.

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lowell Charter Township, assets exceeded liabilities by \$6,216,107 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$2,763,575 (44 percent), reflects its investment in capital assets (e.g. land, buildings, water and sewer system, and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2008.

Lowell Charter Township's Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current assets	\$ 1,108,215	\$ 1,059,487	\$ 2,320,257	\$ 2,186,296	\$ 3,428,472	\$ 3,245,783
Noncurrent assets	1,522,875	1,525,544	1,855,855	1,863,237	3,378,730	3,388,781
Total Assets	2,631,090	2,585,031	4,176,112	4,049,533	6,807,202	6,634,564
Liabilities						
Current liabilities	26,226	19,718	124,869	115,003	151,095	134,721
Noncurrent liabilities	—	—	440,000	530,000	440,000	530,000
Total Liabilities	26,226	19,718	564,869	645,003	591,095	664,721
Net Assets						
Invested in capital assets, net of related debt	1,522,875	1,525,544	1,240,700	1,248,237	2,763,575	2,773,781
Restricted	100,905	104,508	—	—	100,905	104,508
Unrestricted	981,084	935,261	2,370,543	2,156,293	3,351,627	3,091,554
Total Net Assets	\$ 2,604,864	\$ 2,565,313	\$ 3,611,243	\$ 3,404,530	\$ 6,216,107	\$ 5,969,843

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2008:

Lowell Charter Township's Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenue:						
Charges for services	\$ 25,616	\$ 23,885	\$ 522,721	\$ 514,343	\$ 548,337	\$ 538,228
Capital grants and contributions	—	—	9,519	45,382	9,519	45,382
General revenue:						
Property taxes	130,168	134,164	—	—	130,168	134,164
State sources	361,341	359,556	—	—	361,341	359,556
Investment earnings	68,688	40,692	103,398	65,117	172,086	105,809
Other	45,425	32,548	—	—	45,425	32,548
Gain (loss) on disposal of assets	(133)	(10,526)	—	—	(133)	(10,526)
Total Revenues	631,105	580,319	635,638	624,842	1,266,743	1,205,161
Expenses						
General government	302,999	312,897	—	—	302,999	312,897
Public safety	100,026	110,950	—	—	100,026	110,950
Public works	34,799	30,828	—	—	34,799	30,828
Community and economic development	47,584	41,251	—	—	47,584	41,251
Recreation and cultural	58,528	42,443	—	—	58,528	42,443
Other township	47,618	69,937	—	—	47,618	69,937
Water operations	—	—	306,306	270,666	306,306	270,666
Sewer operations	—	—	122,619	152,627	122,619	152,627
Total Expenses	591,554	608,306	428,925	423,293	1,020,479	1,031,599
Increase (Decrease) In Net Assets	39,551	(27,987)	206,713	201,549	246,264	173,562
Net Assets - beginning of year	2,565,313	2,593,300	3,404,530	3,202,981	5,969,843	5,796,281
Net Assets - end of year	<u>\$2,604,864</u>	<u>\$2,565,313</u>	<u>\$3,611,243</u>	<u>\$3,404,530</u>	<u>\$6,216,107</u>	<u>\$5,969,843</u>

Governmental activities increased the Township's net assets by \$39,551. Key elements of this increase were an increase in investment earnings and close control of Township expenses.

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Business activities (water and sewer operations) increased the Township's net assets by \$206,713 due mainly to interest earnings of \$103,398 and close control of utility operating expenses.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,081,989, an increase of \$42,220 in comparison with the prior year. 91 percent of this total amount constitutes unreserved/undesignated fund balance, which is available for spending at the Township's discretion.

Lowell Charter Township's funds are described as follows:

Major Fund

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$628,996 and total expenditures of \$589,018. It ended the year with a fund balance of \$1,007,442, up from \$967,464 at March 31, 2007.

Nonmajor Fund

The *Cemetery Permanent Fund* collects cemetery receipts and interest earnings to be used for Township cemetery improvements. Revenues totaled \$2,242 and expenditures were zero for the fiscal year, increasing the fund balance to \$74,547 at March 31, 2008.

Proprietary funds. The Township's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Water Enterprise Fund had total revenues of \$443,253 and total expenses of \$306,306, with net assets of \$2,290,925 at March 31, 2008. The Sewer Enterprise Fund had total revenues of \$192,385 and total expenses of \$122,619, with net assets of \$1,320,318 at March 31, 2008.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget to comply with Michigan Department of Treasury guidelines. The budget amendments were made to reflect changes in revenues and expenditures as they occurred during the year, including increased public safety and gypsy moth protection expenditures.

LOWELL CHARTER TOWNSHIP
Management's Discussion and Analysis
March 31, 2008

Capital Asset and Debt Administration

Capital Assets

At March 31, 2008, the Township had a \$4,885,377 investment in a broad range of capital assets, including land, land improvements, water and sewer system, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the Notes To Basic Financial Statements.)

Capital asset purchases totaled \$54,703 for the fiscal year with accumulated depreciation increasing \$149,776. The net book value of capital assets at March 31, 2008 is detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 176,475	\$ 36,158	\$ 212,633
Land improvements	564,207	—	565,065
Buildings and improvements	676,210	—	702,563
Water and sewer system	—	1,734,542	1,734,542
Office furnishings and equipment	105,983	—	105,983
Net Capital Assets	<u><u>\$ 1,522,875</u></u>	<u><u>\$ 1,770,700</u></u>	<u><u>\$ 3,293,575</u></u>

Long-Term Debt

At year end the Township had \$530,000 in water and sewer revenue and special assessment bonds outstanding. Prior year debt balances were reduced by payments of \$85,000 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2008-09 is balanced, with budgeted revenues and expenditures each totaling \$585,600. This estimate reflects conservative budgeting for property tax revenues, continuing reductions in state shared revenues and a decrease in total expenditures over 2007-08. The Township strives to maintain a high quality of taxpayer service, while trying to control/reduce costs within the Township.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Regan, Township Clerk, Lowell Charter Township, 2910 Alden Nash SE, Lowell, MI, 49331.

BASIC FINANCIAL STATEMENTS

LOWELL CHARTER TOWNSHIP
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash	\$ 83	\$ -	\$ 83
Cash equivalents, deposits and investments (Note B)	1,040,479	2,135,278	3,175,757
Receivables:			
Taxes (Note C)	9,648	-	9,648
Accounts	1,932	129,909	131,841
Special assessments - current portion	-	50,000	50,000
Due from other funds (Note D)	-	5,070	5,070
Due from other governmental units	56,073	-	56,073
Total Current Assets	1,108,215	2,320,257	3,428,472
Noncurrent Assets			
Special assessments receivable - net of current portion	-	62,085	62,085
Unamortized bond issue costs	-	23,070	23,070
Capital assets, net of accumulated depreciation (Note E)	1,522,875	1,770,700	3,293,575
Total Noncurrent Assets	1,522,875	1,855,855	3,378,730
Total Assets	2,631,090	4,176,112	6,807,202
Liabilities			
Current Liabilities			
Accounts payable	21,156	30,396	51,552
Due to other funds (Note D)	5,070	-	5,070
Accrued interest payable	-	4,473	4,473
Current portion of noncurrent liabilities	-	90,000	90,000
Total Current Liabilities	26,226	124,869	151,095
Noncurrent Liabilities (Note F)			
Revenue bonds payable	-	350,000	350,000
Special assessment bonds payable	-	180,000	180,000
Less current portion of noncurrent liabilities	-	(90,000)	(90,000)
Total Noncurrent Liabilities	-	440,000	440,000
Total Liabilities	26,226	564,869	591,095
Net Assets			
Invested in capital assets, net of related debt	1,522,875	1,240,700	2,763,575
Restricted for:			
Cemetery	74,547	-	74,547
Railroad acquisition project	26,358	-	26,358
Unrestricted	981,084	2,370,543	3,351,627
Total Net Assets	\$ 2,604,864	\$ 3,611,243	\$ 6,216,107

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Activities
For the year ended March 31, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 302,999	\$ 17,489	\$ -
Public safety	100,026	8,127	-
Public works	34,799	-	-
Community and economic development	47,584	-	-
Recreation and cultural	58,528	-	-
Other township	47,618	-	-
Total governmental activities	591,554	25,616	-
Business-type activities:			
Water	306,306	366,807	8,394
Sewer	122,619	155,914	1,125
Total business-type activities	428,925	522,721	9,519
Total Primary Government	\$ 1,020,479	\$ 548,337	\$ 9,519

General revenues:
Property taxes levied for:
 General operations
State revenue sharing
Unrestricted investment earnings
Other
Gain (loss) on disposal of capital assets

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business- Activities	Total
\$ (285,510)	\$ -	\$ (285,510)
(91,899)	-	(91,899)
(34,799)	-	(34,799)
(47,584)	-	(47,584)
(58,528)	-	(58,528)
(47,618)	-	(47,618)
(565,938)	-	(565,938)
-	68,895	68,895
-	34,420	34,420
-	103,315	103,315
(565,938)	103,315	(462,623)
130,168	-	130,168
361,341	-	361,341
68,688	103,398	172,086
45,425	-	45,425
(133)	-	(133)
605,489	103,398	708,887
39,551	206,713	246,264
2,565,313	3,404,530	5,969,843
<u>\$ 2,604,864</u>	<u>\$ 3,611,243</u>	<u>6,216,107</u>

LOWELL CHARTER TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2008

	General	Other Governmental	Total
Assets			
Cash	\$ 83	\$ -	\$ 83
Cash equivalents, deposits and investments (Note B)	963,932	76,547	1,040,479
Taxes receivable (Note C)	9,648	-	9,648
Due from other funds (Note D)	1,932	-	1,932
Due from other governmental units	56,073	-	56,073
Total Assets	<u><u>\$ 1,031,668</u></u>	<u><u>\$ 76,547</u></u>	<u><u>\$ 1,108,215</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	19,156	2,000	21,156
Due to other funds (Note D)	5,070	-	5,070
Total Assets	<u>24,226</u>	<u>2,000</u>	<u>26,226</u>
Fund Balances			
Unreserved:			
Designated, reported in:			
General fund	26,358	-	26,358
Cemetery fund	-	74,547	74,547
Undesignated	981,084	-	981,084
Total Fund Balances	<u>1,007,442</u>	<u>74,547</u>	<u>1,081,989</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,031,668</u></u>	<u><u>\$ 76,547</u></u>	<u><u>\$ 1,108,215</u></u>

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2008

Total governmental fund balances	\$ 1,081,989
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,100,423 and accumulated depreciation is \$577,548.	
	<u>1,522,875</u>
Total net assets - governmental activities	<u><u>\$ 2,604,864</u></u>

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2008

	General	Other Governmental	Total
Revenues			
Taxes	\$ 130,168	\$ -	\$ 130,168
Licenses and permits	8,127	-	8,127
State sources	361,341	-	361,341
Charges for services	16,139	1,350	17,489
Interest and rentals	67,796	892	68,688
Other	45,425	-	45,425
Total Revenues	628,996	2,242	631,238
Expenditures			
Current:			
General government	288,753	-	288,753
Public safety	100,026	-	100,026
Public works	34,799	-	34,799
Community and economic development	47,584	-	47,584
Recreational and cultural	70,238	-	70,238
Other township	47,618	-	47,618
Total Expenditures	589,018	-	589,018
Net Change in Fund Balances	39,978	2,242	42,220
Fund Balances, April 1	967,464	72,305	1,039,769
Fund Balances, March 31	\$ 1,007,442	\$ 74,547	\$ 1,081,989

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2008

Net change in fund balances - total governmental funds \$ 42,220

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of these assets is capitalized and the cost
is allocated over their estimated useful lives as depreciation expense. This
is the amount by which depreciation exceeded capital outlays in the current
period.

Capital outlays	\$	54,703	
Depreciation expense		<u>(57,239)</u>	(2,536)

In the Statement of Activities, only the gain on the sale of capital assets
is reported, whereas in the governmental funds, the proceeds from the
sale(s) increase financial resources. Thus, the change in net assets
differs from the change in fund balance by the cost of the assets sold.

(133)

Total change in net assets - governmental activities

\$ 39,551

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 129,000	\$ 129,000	\$ 130,168	\$ 1,168
Licenses and permits	24,950	24,950	8,127	(16,823)
State sources	354,500	354,500	361,341	6,841
Charges for services	-	-	16,139	16,139
Interest and rentals	25,000	62,000	67,796	5,796
Other revenue	32,400	43,618	45,425	1,807
Total Revenues	565,850	614,068	628,996	14,928
Expenditures				
Current:				
General government	274,200	310,318	288,753	21,565
Public safety	93,000	108,000	100,026	7,974
Public works	28,300	28,300	34,799	(6,499)
Community and economic development	47,850	47,850	47,584	266
Recreation and cultural	60,000	70,799	70,238	561
Other township	57,500	64,600	47,618	16,982
Contingency	5,000	5,000	-	5,000
Total Expenditures	565,850	634,867	589,018	45,849
Net Change in Fund Balances	-	(20,799)	39,978	60,777
Fund Balances, April 1	967,464	967,464	967,464	-
Fund Balances, March 31	\$ 967,464	\$ 946,665	\$ 1,007,442	\$ 60,777

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Net Assets
Proprietary Funds
March 31, 2008

	Water Enterprise	Sewer Enterprise	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 1,279,487	\$ 855,791	\$ 2,135,278
Receivables:			
Accounts	89,083	40,826	129,909
Special assessments - current portion	25,000	25,000	50,000
Due from other funds (Note D)	5,070	-	5,070
Total Current Assets	<u>1,398,640</u>	<u>921,617</u>	<u>2,320,257</u>
Noncurrent Assets			
Special assessment receivable - net of current portion	46,628	15,457	62,085
Unamortized bond issue costs	20,008	3,062	23,070
Capital assets, net of accumulated depreciation (Note E)	1,315,671	455,029	1,770,700
Total Noncurrent Assets	<u>1,382,307</u>	<u>473,548</u>	<u>1,855,855</u>
Total Assets	<u>2,780,947</u>	<u>1,395,165</u>	<u>4,176,112</u>
Liabilities			
Current Liabilities			
Accounts payable	15,669	14,727	30,396
Accrued interest payable	4,473	-	4,473
Current portion of noncurrent liabilities	74,970	15,030	90,000
Total Current Liabilities	<u>95,112</u>	<u>29,757</u>	<u>124,869</u>
Noncurrent Liabilities (Note F)			
Revenue bonds payable	350,000	-	350,000
Special assessment bonds payable	119,880	60,120	180,000
Less current portion	(74,970)	(15,030)	(90,000)
Total Noncurrent Liabilities	<u>394,910</u>	<u>45,090</u>	<u>440,000</u>
Total Liabilities	<u>490,022</u>	<u>74,847</u>	<u>564,869</u>
Net Assets			
Invested in capital assets, net of related debt	845,791	394,909	1,240,700
Unrestricted	1,445,134	925,409	2,370,543
Total Net Assets	<u><u>\$ 2,290,925</u></u>	<u><u>\$ 1,320,318</u></u>	<u><u>\$ 3,611,243</u></u>

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended March 31, 2008

	Water Enterprise	Sewer Enterprise	Total
Operating Revenues			
Charges for services:			
Water sales	\$ 334,782	\$ -	\$ 334,782
Sewage disposal services	-	154,841	154,841
Penalties	9,133	-	9,133
Hydrant rental, other	22,892	1,073	23,965
	<u>366,807</u>	<u>155,914</u>	<u>522,721</u>
Total Operating Revenues			
Operating Expenses			
Administration	23,060	-	23,060
Operations and maintenance	196,282	95,946	292,228
Depreciation	69,073	23,464	92,537
	<u>288,415</u>	<u>119,410</u>	<u>407,825</u>
Total Operating Expenses			
Operating Income	<u>78,392</u>	<u>36,504</u>	<u>114,896</u>
Nonoperating Revenues (Expenses)			
Interest income	68,052	35,346	103,398
Interest expense	(17,891)	(3,209)	(21,100)
	<u>50,161</u>	<u>32,137</u>	<u>82,298</u>
Total Nonoperating Revenues (Expenses)			
Income Before Contributions and Transfers	128,553	68,641	197,194
Connection charges and contributions	8,394	1,125	9,519
	<u>136,947</u>	<u>69,766</u>	<u>206,713</u>
Change in Net Assets			
Net Assets, Beginning of Year	<u>2,153,978</u>	<u>1,250,552</u>	<u>3,404,530</u>
Net Assets, End of Year	<u><u>\$ 2,290,925</u></u>	<u><u>\$ 1,320,318</u></u>	<u><u>\$ 3,611,243</u></u>

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For the year ended March 31, 2008

	Water Enterprise	Sewer Enterprise	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 365,748	\$ 157,516	\$ 523,264
Payments to suppliers for goods and services	(190,745)	(90,422)	(281,167)
Payments to employees for services	(23,449)	-	(23,449)
Net Cash Provided By Operating Activities	<u>151,554</u>	<u>67,094</u>	<u>218,648</u>
Cash Flows From Capital and Related Financing Activities			
Connection charges and contributions	8,394	1,125	9,519
Collection of special assessments	15,280	9,266	24,546
Principal paid on bonds and loans	(69,970)	(15,030)	(85,000)
Interest paid on bonds	(19,064)	(3,209)	(22,273)
Net Cash Used By Capital and Related Financing Activities	<u>(65,360)</u>	<u>(7,848)</u>	<u>(73,208)</u>
Cash Flows From Investing Activities			
Purchase of investments	(42,864)	(121,147)	(164,011)
Interest received	68,052	35,346	103,398
Net Cash Provided (Used) By Investing Activities	<u>25,188</u>	<u>(85,801)</u>	<u>(60,613)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	111,382	(26,555)	84,827
Cash and Cash Equivalents, beginning of year	<u>257,567</u>	<u>186,039</u>	<u>443,606</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 368,949</u></u>	<u><u>\$ 159,484</u></u>	<u><u>\$ 528,433</u></u>
Allocation of Cash Equivalents, Deposits and Investments			
Cash equivalents	\$ 368,949	\$ 159,484	\$ 528,433
Certificates of deposit and investments	910,538	696,307	1,606,845
Total Cash Equivalents, Deposits and Investments Per Statement of Net Assets	<u><u>\$ 1,279,487</u></u>	<u><u>\$ 855,791</u></u>	<u><u>\$ 2,135,278</u></u>
Reconciliation of Operating Income To Net Cash Provided By Operating Activities			
Operating income	<u>\$ 78,392</u>	<u>\$ 36,504</u>	<u>\$ 114,896</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	73,075	24,484	97,559
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,059)	1,602	543
(Increase) decrease in due to other funds	(389)	-	(389)
Increase (decrease) in accounts payable	1,535	4,504	6,039
Total adjustments	<u>73,162</u>	<u>30,590</u>	<u>103,752</u>
Net Cash Provided By Operating Activities	<u><u>\$ 151,554</u></u>	<u><u>\$ 67,094</u></u>	<u><u>\$ 218,648</u></u>

See accompanying notes to basic financial statements.

LOWELL CHARTER TOWNSHIP
Statement of Net Assets
Fiduciary Funds
March 31, 2008

	<u>Agency Funds</u>
Assets	
Cash equivalents, deposits and investments (Note B)	<u>\$ 39,377</u>
Liabilities	
Due to other funds (Note D)	\$ 1,932
Due to other governmental units	17,129
Escrow deposits	<u>20,316</u>
Total Liabilities	<u>\$ 39,377</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note A – Summary of Significant Accounting Policies

Lowell Charter Township (the “Township”) is incorporated as a charter township under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Township is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and four Trustees. The Township provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (fire), highways and streets, sewer and water, parks and recreation, public improvements, planning and zoning, general administrative and other services.

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

1. Reporting Entity

The accompanying financial statements present the Township of Lowell. The Township has no component units, entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Township reports the following major governmental fund:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The Township reports the following major proprietary funds:

The *Sewer Enterprise Fund* accounts for the operations of the Township's sewer department that provides sewer services to residents of the Township on a user charge basis.

The *Water Enterprise Fund* accounts for the operations of the Township's water department that provides water services to residents of the Township on a user charge basis.

Additionally, the Township reports the following fund types:

The *Cemetery Permanent Fund* accounts for fees collected to be used for cemetery improvements.

The *Escrow Agency Fund* accounts for the collection of escrow deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Trust Account Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges for services. Operating expenses for the enterprise fund include wages, benefits, supplies, utilities, charges for services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported a nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

The budget presented in the financial statements was prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budget is generated with input from the Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund.
- Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

- Budget appropriations lapse at fiscal year-end.
- Encumbrance accounting is not utilized.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental (activity) level for the General Fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Inventory

Inventory recorded in the enterprise funds is valued at the lower of cost or market, on the first-in first-out basis. Inventories consist of expendable operating supplies, meters and related materials and parts.

7. Capital Assets

Capital assets, which include property, plant and equipment, vehicles and construction in process, are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of one year and whose costs exceed \$1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Water and sewer distribution systems	30 years
Land improvements	20-40 years
Building and building improvements	40 years
Office furnishings and equipment	5-15 years

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund types in the Statements of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities.

11. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and errors and omissions claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Township has not purchased commercial insurance for coverage of health claims for employees. In lieu of this, employees receive a cash benefit.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Township in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:	
Governmental and business-type activities	\$3,175,757
Cash equivalents, deposits and investments of Fiduciary Funds:	
Agency Funds	<u>39,377</u>
	<u>\$3,215,134</u>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Depositories actively used by the Township during the year are detailed as follows:

1. Huntington National Bank
2. Fifth Third Bank
3. Independent Bank
4. First Bank of West Michigan
5. Mercantile Bank
6. Byron Bank
7. Flagstar Bank
8. mBank
9. HSBC Bank, USA
10. Macatawa Bank

March 31, 2008 balances are detailed as follows:

Cash equivalents	\$ 778,989
Deposits	<u>2,181,100</u>
	<u><u>\$ 2,960,089</u></u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$2,960,089 and the bank balance was \$2,985,070. Of the bank balance \$761,000 was covered by federal depository insurance and \$2,224,070 was uninsured and uncollateralized.

Investments

Investments consist of surplus funds investment pools and U.S. Government Agency securities.

As of March 31, 2008 the Township had the following investments in their portfolio:

	<u>Fair Value</u>
Investment Pool Accounts:	
Putnam Investments	\$ 130,453
Edward Jones	69,692
U.S. Government Agency Securities:	
Federal National Mortgage Association (FNMA)	31,714
Government National Mortgage Association (GNMA)	<u>23,186</u>
	<u><u>\$ 255,045</u></u>

The Weighted Average Maturity (in years) for the U.S. Agency Securities was 21.50 at March 31, 2008.

Custodial Credit Risk and Interest Rate Risk

It is the policy of Lowell Charter Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Note C – General Property Taxes

Property taxes for the Township and Kent County become due and payable on December 1 of each year. Property taxes for school districts become due and payable on July 1 and December 1, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

Township property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available. The 2007 property tax roll, levied December 1, 2007, represents revenue for the fiscal year ended March 31, 2008.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent Intermediate School District, Caledonia Community Schools and Lowell Area Schools. Collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted to levy up to 1.1 mills of general property taxes on the assessed valuation in the Township. Due to the effect of the Headlee Amendment, the actual tax levy was reduced to 0.7571 mills for 2007-08 general operations.

The tax collection record of Township taxes for the past three years is shown in the following summary:

	2007	2006	2005
Township taxes levied	\$129,925	\$130,000	\$119,574
Taxes collected:			
Current to March 1	120,646	119,636	111,857
Total to March 31, 2008	120,646	129,689	119,359
Percentages of collections:			
Current to March 1	92.86%	92.03%	93.55%
Total to March 31, 2008	92.86%	99.76%	99.82%

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note D – Due From (To) Other Funds

Amounts due from (to) other funds at March 31, 2008 representing expenditure allocations to be repaid in 2008-09 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds		
General Fund:		
Water Enterprise Fund	\$ —	\$ 5,070
Escrow Account Agency Fund	1,932	—
Water Enterprise Fund:		
General Fund	<u>5,070</u>	<u>—</u>
Total Major Funds	7,002	5,070
Non-major Funds		
Escrow Account Agency Fund:		
General Fund	<u>—</u>	<u>1,932</u>
Total	<u><u>\$ 7,002</u></u>	<u><u>\$ 7,002</u></u>

Note E – Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2008</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 155,596	\$ 20,879	\$ —	\$ 176,475
Capital assets being depreciated:				
Land improvements	693,837	22,576	—	716,413
Buildings and improvements	962,101	—	—	962,101
Office furnishings and equipment	<u>235,409</u>	<u>11,248</u>	<u>1,223</u>	<u>245,434</u>
Totals at historical cost	<u>2,046,943</u>	<u>\$ 54,703</u>	<u>\$ 1,223</u>	<u>2,100,423</u>

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2008</u>
Less accumulated depreciation for:				
Land improvements	128,772	\$ 23,434	\$ —	152,206
Buildings and improvements	259,538	26,353	—	285,891
Office furnishings and equipment	133,089	7,452	1,090	139,451
	<u>521,399</u>	<u>\$ 57,239</u>	<u>\$ 1,090</u>	<u>577,548</u>
Total accumulated depreciation				
	<u>521,399</u>	<u>\$ 57,239</u>	<u>\$ 1,090</u>	<u>577,548</u>
Net Capital Assets -				
Governmental Activities	<u>\$ 1,525,544</u>			<u>\$ 1,522,875</u>

Depreciation expense was charged to Township governmental activities as follows:

General government	\$ 23,412
Recreation and cultural	<u>33,827</u>
	<u>\$ 57,239</u>

	<u>Balances</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2008</u>
Business-type Activities				
Capital assets not depreciated:				
Land	\$ 36,158	\$ —	\$ —	\$ 36,158
Capital assets being depreciated:				
Sewer system	685,249			685,249
Water system	2,063,547	—	—	2,063,547
	<u>2,784,954</u>	<u>\$ —</u>	<u>\$ —</u>	<u>2,784,954</u>
Totals at historical cost				
	<u>2,784,954</u>	<u>\$ —</u>	<u>\$ —</u>	<u>2,784,954</u>
Less accumulated depreciation for:				
Sewer system	207,756	\$ 23,464	\$ —	231,220
Water system	713,961	69,073	—	783,034
	<u>921,717</u>	<u>\$ 92,537</u>	<u>\$ —</u>	<u>1,014,254</u>
Total accumulated depreciation				
	<u>921,717</u>	<u>\$ 92,537</u>	<u>\$ —</u>	<u>1,014,254</u>
Net Capital Assets -				
Business-type Activities	<u>\$ 1,863,237</u>			<u>\$ 1,770,700</u>

Depreciation expense was charged to business-type activities of the Township as follows:

Sewer	\$ 23,464
Water	<u>69,073</u>
	<u>\$ 92,537</u>

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note F –Long-Term Debt

The following is a summary of long-term debt transactions for the year ended March 31, 2008:

	Debt Outstanding April 1, 2007	Debt Added	Debt Retired	Debt Outstanding March 31, 2008
Business-type Activities				
Bond issues:				
Revenue bonds:				
February 18, 2004	\$ 390,000	\$ –	\$ 40,000	\$ 350,000
Special assessment bonds:				
February 1, 2002	225,000	–	45,000	180,000
Total Long-term Debt	<u>\$ 615,000</u>	<u>\$ –</u>	<u>\$ 85,000</u>	<u>\$ 530,000</u>

Long-term bonds at March 31, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Business-type activities				
Revenue bonds:				
\$470M 2004 MMBA Water System Bonds:				
Annual maturities of \$45M to \$55M	May 1, 2014	2.70 - 4.00	\$ 350,000	\$ 45,000
Special assessment bonds:				
\$449M 2002 Water and Sewer System Bonds:				
Annual maturities of \$45M	March 1, 2012	4.15 - 4.50	180,000	45,000
Total Business-type Activities			<u>\$ 530,000</u>	<u>\$ 90,000</u>

The annual requirements to pay principal and interest on long-term debt outstanding at March 31, 2008 are as follows:

Year Ended March 31	Business-Type Activities		
	Principal	Interest	Total
2009	\$ 90,000	\$ 19,415	\$ 109,415
2010	90,000	16,265	106,265
2011	95,000	12,842	107,842
2012	95,000	9,175	104,175
2013	50,000	5,338	55,338
2014	55,000	3,300	58,300
2015	55,000	1,100	56,100
	<u>\$ 530,000</u>	<u>\$ 67,525</u>	<u>\$ 597,525</u>

LOWELL CHARTER TOWNSHIP
Notes to Basic Financial Statements
March 31, 2008

Note G – Pension Plan/Defined Contribution

The Township provides retirement benefits to all of its elected and appointed officials and employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three months of employment, as long as a minimum of 16 hours a week is worked. The plan is established by Internal Revenue Service Code Section 414(c)(2). Participants and the Township are required to contribute 5 percent and 10 percent, respectively, of each participant's gross wages. In addition, the Township and employees may make discretionary contributions up to 15 percent of covered wages. Discretionary contributions were not made in the current year by the Township. The contributions and investment interest allocated to the employee's account are fully vested immediately.

The Township's covered payroll for the plan year ending December 31, 2007 was \$153,346. The current year employer contribution was \$15,345 and employee contributions were \$16,859.

Note H – Contingencies/Litigation

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

LOWELL CHARTER TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 83	\$ 83
Cash equivalents, deposits and investments	963,932	916,292
Taxes receivable	9,648	10,516
Due from other funds	1,932	-
Due from other governmental units	56,073	58,291
Total Assets	<u><u>\$ 1,031,668</u></u>	<u><u>\$ 985,182</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 19,156	\$ 13,037
Due to other funds	5,070	4,681
Total Liabilities	<u>24,226</u>	<u>17,718</u>
Fund Balances		
Unreserved:		
Designated for gypsy moth expenditures	-	5,845
Designated for railroad acquisition project	26,358	26,358
Undesignated	981,084	935,261
Total Fund Balances	<u>1,007,442</u>	<u>967,464</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,031,668</u></u>	<u><u>\$ 985,182</u></u>

LOWELL CHARTER TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2008 and 2007

	2008	2007
Taxes:		
Current property taxes	\$ 129,776	\$ 132,228
Delinquent property taxes	392	1,936
	<u>130,168</u>	<u>134,164</u>
Licenses and permits:		
Other permits	8,127	8,731
State sources:		
Sales taxes	356,850	355,042
PA 48/METRO Authority	4,491	4,514
	<u>361,341</u>	<u>359,556</u>
Charges for services:		
Civil infraction fees	76	-
Planning and zoning fees	5,655	2,905
Summer tax collection fees	7,193	7,456
Service fees	265	213
Cemetery fees	2,150	2,780
Land division fees	800	1,200
	<u>16,139</u>	<u>14,554</u>
Interest and rentals:		
Interest on deposits and investments	64,696	38,322
Rental income	3,100	2,200
	<u>67,796</u>	<u>40,522</u>
Other revenue:		
Street light assessments	6,757	5,293
Park income	6,750	2,000
Franchise fees	14,589	15,021
Donations	11,219	7,835
Refunds and rebates	2,698	2,255
Other revenue	3,412	144
	<u>45,425</u>	<u>32,548</u>
Total Revenues	<u><u>\$ 628,996</u></u>	<u><u>\$ 590,075</u></u>

LOWELL CHARTER TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Current:		
General government:		
Township board:		
Personnel services	\$ 5,760	\$ 8,100
Other services and charges	-	177
	<u>5,760</u>	<u>8,277</u>
Supervisor:		
Personnel services	22,878	21,615
Clerk:		
Personnel services	35,184	34,300
Board of review:		
Personnel services	1,914	1,653
Treasurer:		
Personnel services	30,014	29,230
Assessor:		
Personnel services	42,008	43,060
Other services and charges	1,072	1,583
	<u>43,080</u>	<u>44,643</u>
Elections:		
Personnel services	2,754	3,712
Other services and charges	667	1,999
Capital outlay	-	1,442
	<u>3,421</u>	<u>7,153</u>
Building and grounds:		
Salaries	20,984	28,884
Supplies	23,512	17,597
Other services and charges	46,198	49,693
Capital outlay	6,371	3,692
	<u>97,065</u>	<u>99,866</u>
Legal and audit:		
Other services and charges	39,740	46,755
Cemetery:		
Other services and charges	9,697	5,655
Total general government	<u>288,753</u>	<u>299,147</u>
Public safety:		
Rescue/ambulance:		
Other services and charges	20,522	39,892
Fire department:		
Other services and charges	79,504	71,058
Total public safety	<u>100,026</u>	<u>110,950</u>
Public works:		
Highways, streets and bridges:		
Other services and charges	5,412	7,033

(Continued)

LOWELL CHARTER TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2008 and 2007

	2008	2007
Engineering:		
Other services and charges	\$ 10,275	\$ 5,656
Street lighting:		
Other services and charges	9,112	8,139
Water system:		
Other services and charges	10,000	10,000
Total public works	<u>34,799</u>	<u>30,828</u>
Community and economic development:		
Planning:		
Personnel services	5,491	4,343
Other services and charges	40,302	35,723
	<u>45,793</u>	<u>40,066</u>
Zoning:		
Personnel services	1,350	1,044
Other services and charges	441	141
	<u>1,791</u>	<u>1,185</u>
Total community and economic development	<u>47,584</u>	<u>41,251</u>
Recreation and cultural:		
Parks and recreation:		
Personnel services	2,400	2,600
Other services and charges	65,338	32,100
Capital outlay	-	12,195
	<u>67,738</u>	<u>46,895</u>
Museum:		
Other services and charges	2,500	2,500
Total recreation and cultural	<u>70,238</u>	<u>49,395</u>
Other township:		
Personnel services	27,937	26,354
Other services and charges	19,681	43,583
Total other township	<u>47,618</u>	<u>69,937</u>
Total Expenditures	<u><u>\$ 589,018</u></u>	<u><u>\$ 601,508</u></u>

PERMANENT FUND

Cemetery Perpetual Care—to account for monies deposited with the Township whose interest earnings will be used for cemetery upkeep.

LOWELL CHARTER TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Balance Sheet
March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 76,547</u>	<u>\$ 74,305</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Fund balances		
Unreserved:		
Designated for cemetery improvements	<u>74,547</u>	<u>72,305</u>
 Total Liabilities and Fund Balances	<u><u>\$ 76,547</u></u>	<u><u>\$ 74,305</u></u>

LOWELL CHARTER TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Charges for services:		
Cemetery lot sales	\$ 1,350	\$ 600
Interest and rentals:		
Interest on deposits	<u>892</u>	<u>170</u>
Total Revenues	2,242	770
Expenditures	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,242	770
Fund Balances, April 1	<u>72,305</u>	<u>71,535</u>
Fund Balances, March 31	<u><u>\$ 74,547</u></u>	<u><u>\$ 72,305</u></u>

AGENCY FUNDS

LOWELL CHARTER TOWNSHIP
All Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the year ended March 31, 2008

	Balances April 1, 2007	Additions	Deductions	Balances March 31, 2008
Escrow Fund				
Assets				
Cash equivalents, deposits and investments	\$ 23,299	\$ 34,474	\$ 35,525	\$ 22,248
Liabilities				
Due to other funds	\$ -	\$ 1,932	\$ -	\$ 1,932
Escrow deposits	23,299	32,542	35,525	20,316
Total Liabilities	\$ 23,299	\$ 34,474	\$ 35,525	\$ 22,248
Trust Account Fund				
Assets				
Cash equivalents, deposits and investments	\$ 16,673	\$ 21,355	\$ 20,899	\$ 17,129
Liabilities				
Accounts payable	\$ -	\$ 1,183	\$ 1,183	\$ -
Due to other funds	-	2,252	2,252	-
Due to other governmental units	16,673	17,920	17,464	17,129
Total Liabilities	\$ 16,673	\$ 21,355	\$ 20,899	\$ 17,129
Tax Account Agency Fund				
Assets				
Cash equivalents, deposits and investments	\$ -	\$ 4,968,431	\$ 4,968,431	\$ -
Liabilities				
Accounts payable	\$ -	\$ 27,284	\$ 27,284	\$ -
Due to other funds	-	169,438	169,438	-
Due to other governmental units	-	4,771,709	4,771,709	-
Total Liabilities	\$ -	\$ 4,968,431	\$ 4,968,431	\$ -
Totals - All Agency Funds				
Assets				
Cash equivalents, deposits and investments	\$ 39,972	\$ 5,024,260	\$ 5,024,855	\$ 39,377
Liabilities				
Accounts payable	\$ -	\$ 28,467	\$ 28,467	\$ -
Due to other funds	-	173,622	171,690	1,932
Due to other governmental units	16,673	4,789,629	4,789,173	17,129
Escrow deposits	23,299	32,542	35,525	20,316
Total Liabilities	\$ 39,972	\$ 5,024,260	\$ 5,024,855	\$ 39,377

OTHER INFORMATION

LOWELL CHARTER TOWNSHIP
Summary of 2007 Taxes Levied and Collected
For the year ended March 31, 2008

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
Ad Valorem Taxes					
Kent County					
Operating	\$171,623,568	5.3940	\$ 925,703	\$ 50,492	\$ 875,211
Kent District Library	171,623,568	0.8800	151,017	10,785	140,232
State Education Tax					
Caledonia Community Schools	962,950	6.0000	5,778	61	5,717
Lowell Area Schools	170,660,618	6.0000	1,023,955	51,585	972,370
			<u>1,029,733</u>	<u>51,646</u>	<u>978,087</u>
School Districts					
Kent Intermediate School District	171,623,568	4.6903	804,955	40,373	764,582
Grand Rapids Community College	171,623,568	1.7865	306,594	15,377	291,217
Caledonia Community Schools:					
Other	962,950	7.0000	6,741	71	6,670
Operating	172,141	18.0000	3,098	183	2,915
Lowell Area Schools:					
Other	170,660,618	7.0000	1,194,606	72,954	1,121,652
Operating	36,608,662	17.9838	658,357	73,315	585,042
			<u>2,974,351</u>	<u>202,273</u>	<u>2,772,078</u>
Total School Districts					
Lowell Charter Township					
Operating	171,623,568	0.7571	129,925	9,279	120,646
Street lighting assessments			6,716	576	6,140
Sewer and water assessments			32,231	13,918	18,313
Delinquent sewer and water			20,260	4,392	15,868
			<u>189,132</u>	<u>28,165</u>	<u>160,967</u>
Total Township					
			<u>\$ 5,269,936</u>	<u>\$ 343,361</u>	<u>\$4,926,575</u>
Total Ad Valorem Taxes					

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

July 18, 2008

The Township Board
Lowell Charter Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Lowell Charter Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person(s) responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements.)

Management of Lowell Charter Township is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Lowell Charter Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Lowell Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified one deficiency in internal control that we consider to be a material weakness:

- Officials, management or employees who lack the knowledge and training necessary to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in preparing the Township's financial statements (including the notes to financial statements).

This communication is intended solely for the information and use of management, the Township Board, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Berton, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

July 18, 2008

The Township Board
Lowell Charter Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Lowell Charter Township as of and for the year ended March 31, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 16, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 16, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lowell Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Lowell Charter Township management.

General Fund

1. \$20,164 to reverse and accrue property taxes receivable at year end.
2. \$9,209 to record interest earned on certificates of deposit and adjust investment balances to fair market value at March 31, 2008
3. \$8,402 to classify interest and penalties collected on property taxes to the proper revenue accounts.

Sewer Fund

1. \$23,464 to record depreciation expense on fund assets for the fiscal year.

Water Fund

1. \$69,073 to record depreciation expense on fund assets for the fiscal year.
2. \$8,384 to adjust water billings receivable to actual at March 31, 2008.

Disagreements with Management

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated July 18, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the Township's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the Township's significant areas of internal controls. Our findings and comments regarding the Township's internal control processes and procedures are detailed in Appendix A, attached to this letter.

Closing

This communication is intended solely for the information and use of the Lowell Charter Township Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Horton, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
LOWELL CHARTER TOWNSHIP
For the Year Ended March 31, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Lowell Charter Township are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Township's internal controls, based on our observations during the 2007-08 audit process.

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
 1. **Tax Account Agency Fund disbursement checks should be reviewed by someone independent of the Treasurer's office. A monthly disbursement report listing checks written could be presented to the Township Board for review and/or reviewed by the Township Clerk on a regular basis.**
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
LOWELL CHARTER TOWNSHIP
For the Year Ended March 31, 2008

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 1. **The Township Investment Policy should be reviewed annually by the Treasurer and the Township Board (or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Township governance (a Township Board or Finance Committee member) should be responsible for reviewing Township investments on a regular basis to insure that the requirements of the Investment Policy are being followed.**
 2. **Currently the Township's surplus funds are invested in over 35 separate certificates of deposit. To ease record keeping and internal control monitoring requirements, consolidation of these CD's into a fewer number of larger CD's is suggested.**
- Investment purchase approval procedures
 1. **Certificates of deposit from various financial institutions are currently held within the E.D. Jones Investment Account owned by the General Fund of the Township. Each of these financial institutions should be separately approved by Board of Trustees action as acceptable Township depositories prior to the Township purchasing these investments.**
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
 1. **Periodic independent review of the completed payroll preparation process, before payroll checks are printed and distributed, is recommended.**
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
LOWELL CHARTER TOWNSHIP
For the Year Ended March 31, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 1. **The Township Clerk should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.**

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

INFORMATIONAL TECHNOLOGY

- Internal control framework – policies and procedures
 1. **The Township should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.**
- Township personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
 1. **A formalized process for granting and removing user access rights to Township software applications should be documented and approved. Users within each application should be given access to only those functions which are required to perform their regular duties.**
- Passwords are required to be complex and to be changed at regular intervals
 1. **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of applications and data files
 1. **Backups of data on Township software are performed on a regular basis and rotated offsite by a Township official. This process should be formalized and documented, and consideration should be give to encrypting or password protecting the backed up data.**
- There is a documented disaster recovery plan and it has been tested
 1. **There is no current documented plan.**